THE ECONOMY

Pacific Southwest Trust & Savings Bank, Brawley

Courtesy of Photo Collection, Los Angeles Public Library


Harvesting Valencia oranges, 1930

Courtesy of Photo Collection, Los Angeles Public Library

Train greeters, Riverside

Courtesy of Photo Collection, Los Angeles Public Library

INDEX OF NUMBERS SHOWN ON MAP.
① FEDERAL BUILDING (MAIN POST OFFICE.)
② LOS ANGELES COUNTY COURT HOUSE.
③ LOS ANGELES CITY HALL.
④ HILL STREET STATION-PAC. ELEC. RY.
⑤ SIXTH STREET STATION-PAC. ELEC. RY.
⑥ SOUTHERN PACIFIC & UNION PACIFIC STA.
⑦ SANTA FE STATION.
⑧ LOS ANGELES CITY LIBRARY.
FAIRFAX HIGH SCHOOL
MELROSE
WILSHIRE COUNTRY CLUB
BEVERLY BLVD.
HANCOCK PARK
BREA FOSSIL PITS
WILSHIRE BLVD.
LAFAYETTE PK.
WESTLAKE PK.
BELMONT HIGH SCHOOL
ECHO PARK
LOS ANGELES HIGH SCHOOL
EIGHTH
TENTH ST.
PICO
SEVENTH
VENICE
ROSEDALE CEMETERY
WASHINGTON
WEST ADAMS ST.
MONTCLAIR ST.
ANGELES MESA DR.
AUTO CLUB SO. CAL.
JEFFERSON
UNIVERSITY OF SO. CALIFORNIA
EXPOSITION PARK
SANTA BARBARA
VERNON
WESTERN
VERMONT
HOOVER
FIGUEROA
BROADWAY
SAN PEDRO
SUNSET
LOS ANGELES

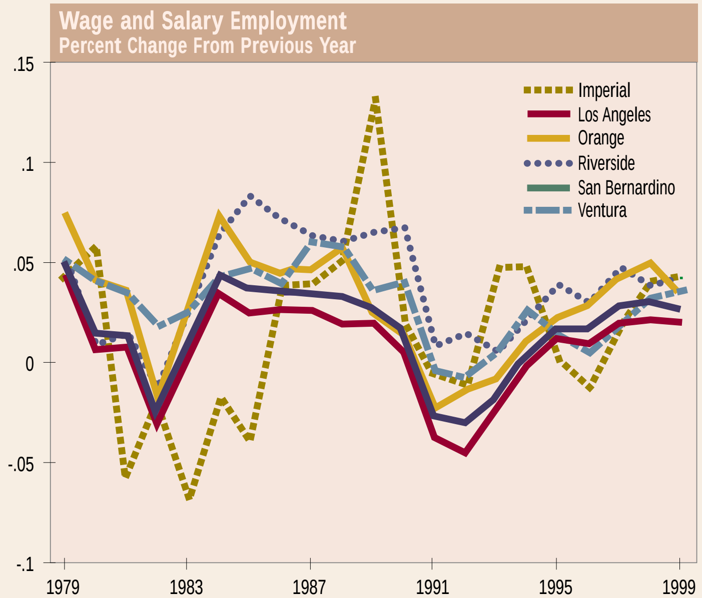
EMPLOYMENT

Job growth is one of the most important indicators of a healthy economy.

The U.S. economy ended the 1990s on a strong note, only weeks away from the longest economic expansion ever. The economy continued to create new jobs at a sustained pace, even during the Asian economic crisis. Prior to the current expansion, the longest expansion to date had been in the 1960s during the Vietnam War buildup. The ratio of jobholders to the overall population, a measure of employment, reached record highs as the year 2000 began.

The California economy throughout 1999 continued the rebound that began in 1993 following the economic recession of the early 1990s. California had a 2.9 percent nonfarm job growth in 1999, although smaller than the 3.5 percent increase in 1998, the best performance in the 1990s. The continued economic strength means further state budget windfalls. The state is expected to end the current fiscal year 1999-2000 with almost $3 billion more than budget analysts estimated.

Figure 1



Source: California Employment Development Department and SCAG

Southern California stands out as one of the largest economies in the world, a center of innovation, research, and economic activity and a major global trading port. Southern California began its recovery from the recession later than other parts of the state, but the southern portion of the state is now taking the lead in job growth. There were 171,000 new jobs in the SCAG region in 1999, a job growth of 2.6 percent over the previous year.

Los Angeles County added in excess of 80,000 new jobs in 1999, the second best performance in the 1990s after 1998. Nevertheless, at the end of the 1990s, Los Angeles County still had not replaced all of the jobs it lost during the recession, as documented on Table 5. Employment growth in Los Angeles County has been at a slower rate than for the other counties in the region. However, since the county accounts for over 60 percent of the region's jobs, even a small percentage increase represents a significant number of new jobs for Southern California. (Please see map 2 for the change in employment density between 1980 and 1997.)

Table 5

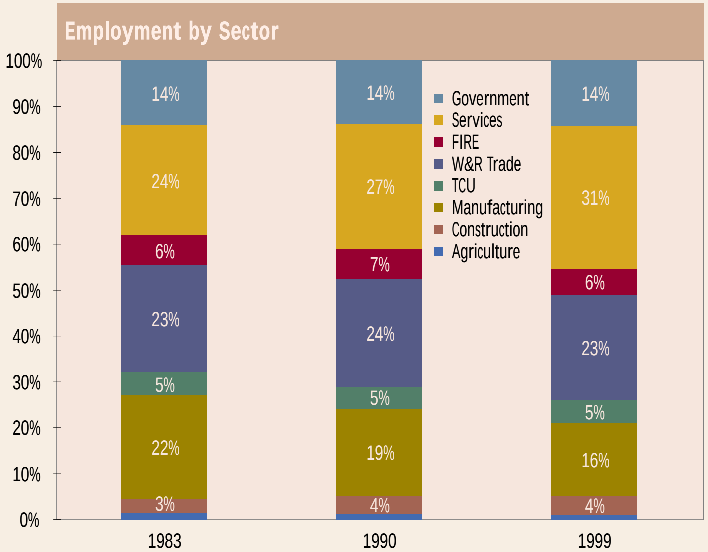
Wage and Salary Employment by County (000)

County	1990	1998	1999	Percent change 1990-99	Percent change 1998-99
Imperial	45	51	53	18%	4.3%
Los Angeles	4147	3954	4035	-2.7%	2.0%
Orange	1179	1302	1343	13.9%	3.2%
Riverside/ San Bernardino	735	896	934	27.0%	4.2%
Ventura	247	268	277	12.2%	3.4%
SCAG Region	6353	6471	6642	4.5%	2.6%

Source: California Employment Development Department and SCAG

Concentration of employment is important as a measure of economic diversity. If too many jobs are concentrated in one sector, a downturn in that sector could have serious repercussions throughout the regional economy.

Figure 2



Source: California Employment Development Department and SCAG

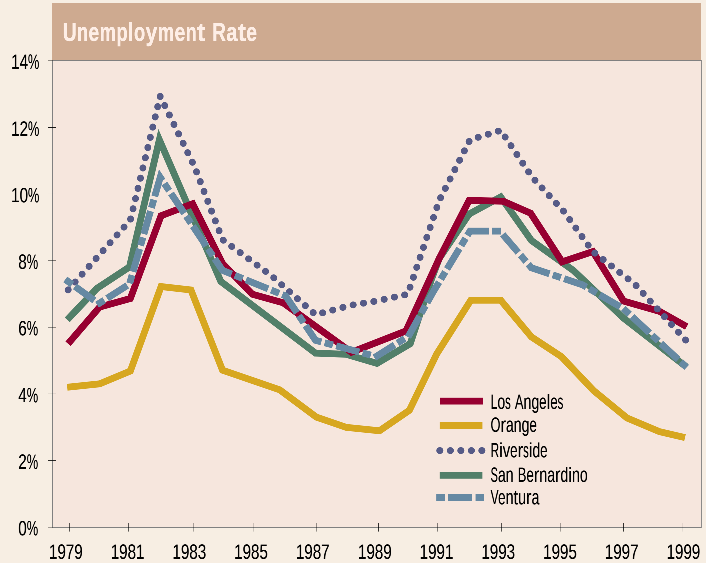
The increased diversification of the economy has reduced the impact of adverse economic cycles and provides a stable environment for new investment. Fast-growing industries in the region, as measured by job growth during the year, spanned a wide variety of enterprises. All counties in the region experienced overall growth in the major industries. Except for mining, every sector experienced growth in 1999.

Real estate related activity was an important component of the employment expansion during 1999, with construction employment up by over 8 percent from the previous year. The rates of growth in the construction sector were 9.4 percent in Imperial, 6.3 percent in Los Angeles, 8.3 percent in Orange, 8.9 percent in Riverside/San Bernardino, and almost 20 percent in Ventura. Besides construction, there were three sectors with regional employment gains over 3 percent: transportation and public utilities, services, and government.

UNEMPLOYMENT

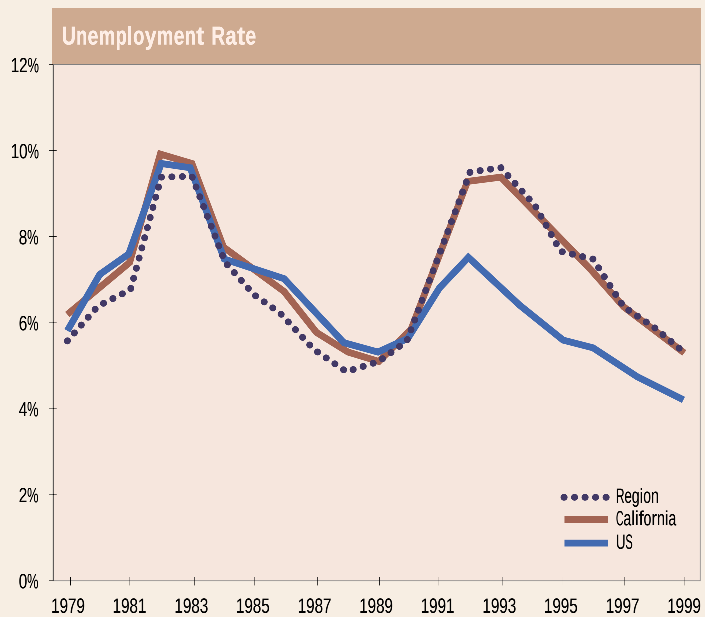
The unemployment rate is a measure of the current loss of productive potential in the region. A reduction in the unemployment rate raises both production and employment in the region, stimulating income growth among its residents.

Figure 3



Source: California Employment Development Department and SCAG

Figure 3a

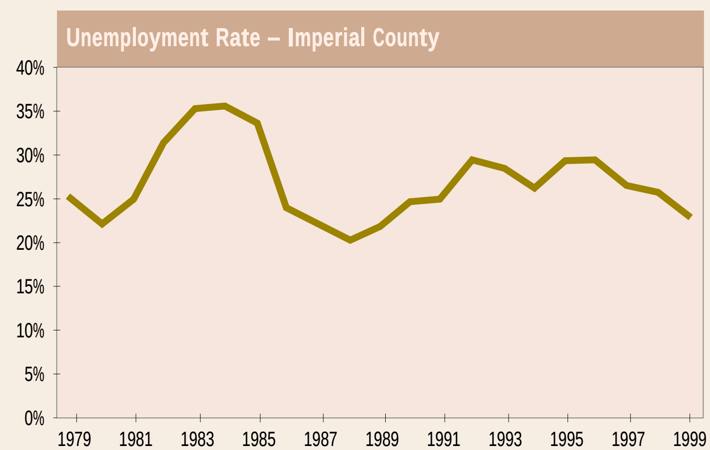


Source: California Employment Development Department and SCAG

The year 2000 began with a national unemployment rate of 4 percent, the lowest level in 30 years. Employment growth in 1999 covered almost every sector of the economy, drawing more people into the job market, including many who had previously been too discouraged about their prospects to look for work. The booming California economy kept the state jobless rate at 4.9 percent at the end of 1999, the lowest level in the thirty years that the state has tracked unemployment in the current format. While the state is adding jobs at a higher rate than the rest of the nation, the 1999 unemployment rate of 4.9 percent in California remained above the 4.1 percent for the nation.

The region's unemployment rate had been below the nation's throughout the 1980s, but that changed in 1991, when unemployment rates for the region and the state jumped above the nation's. In 1999, unemployment rates in

Figure 3b



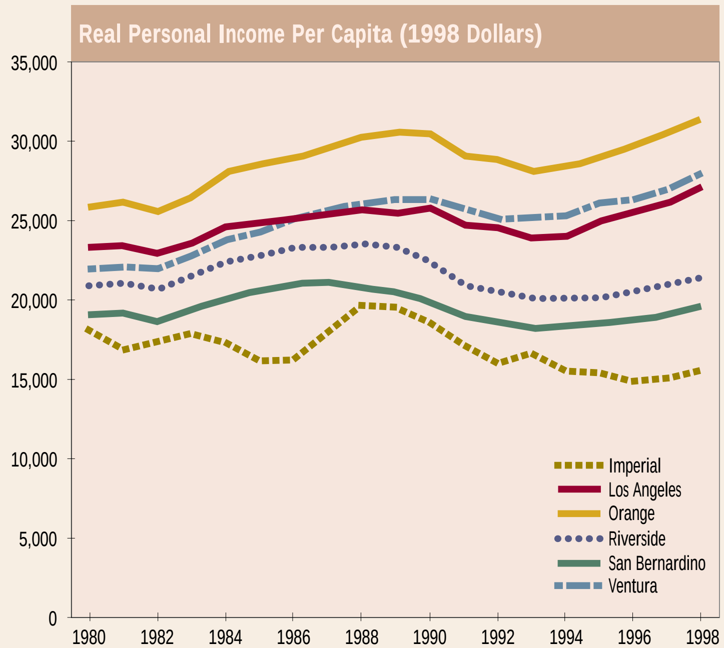
Source: California Employment Development Department and SCAG most counties in Southern California fell either to record lows or, at least, to the lowest levels in decades. Orange County posted a December 1999 unemployment rate of 2.1 percent, the lowest since the county started keeping records in the 1940s. Even Los Angeles County, hit the hardest during the recession of the early 1990s, is bouncing back. The unemployment rate for Los Angeles County was 6 percent for 1999 and 5.7 percent at year-end, the lowest since July 1990.

As the economy recovers, there has been an increased demand for both high skilled technology workers and low skilled, low paid service workers. While high tech firms continue to bring in highly skilled workers from outside the country, particularly from India and China, unemployment in agricultural counties in the state remains in the double-digits. Imperial County experienced 23 percent unemployment in 1999.

INCOME

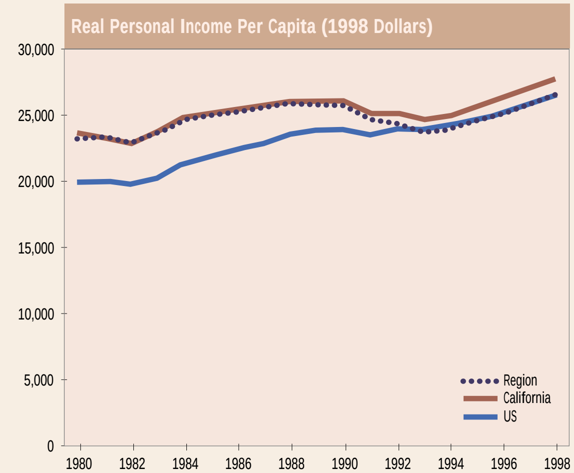
Real personal income per capita is the broadest single statistical measure of well-being or standard of living. Growth in real per capita income is more important as a regional target than growth of jobs alone.

Figure 4



Source: California Department of Finance and SCAG Database

Figure 4a



Source: California Department of Finance and SCAG Database

The region's per capita personal income was consistently higher than the nation's throughout the 1970s and 1980s, but that changed during the recession in the early 1990s. As the region's economy improves, its per capita income is on the rise, with a gain of over 3 percent in 1998 from the previous year. Every county in the region had a higher per capita personal income in 1998 than in 1997, with the gains ranging from 2.1 percent for Riverside to 3.8 percent for Los Angeles.

Although there is optimism about the improved economy, there are also concerns. A recent report by the non-profit California Budget Project notes that a family of four with two working parents needs at least $44,880 a year to make ends meet in California – over 2 ? times the federal poverty level of $16,700 for 1999 (documented in Table 6). The hourly wage needed to support the basic family budget is two to three times the state's minimum wage of $5.75/hour. The report concludes that the basic family budgets for the various areas in the state require incomes much higher than those provided by minimum wage work and, in some parts of the state, more than the median income. (Please see map 3 for change in median household income between 1980 and 1997.)

Table 6

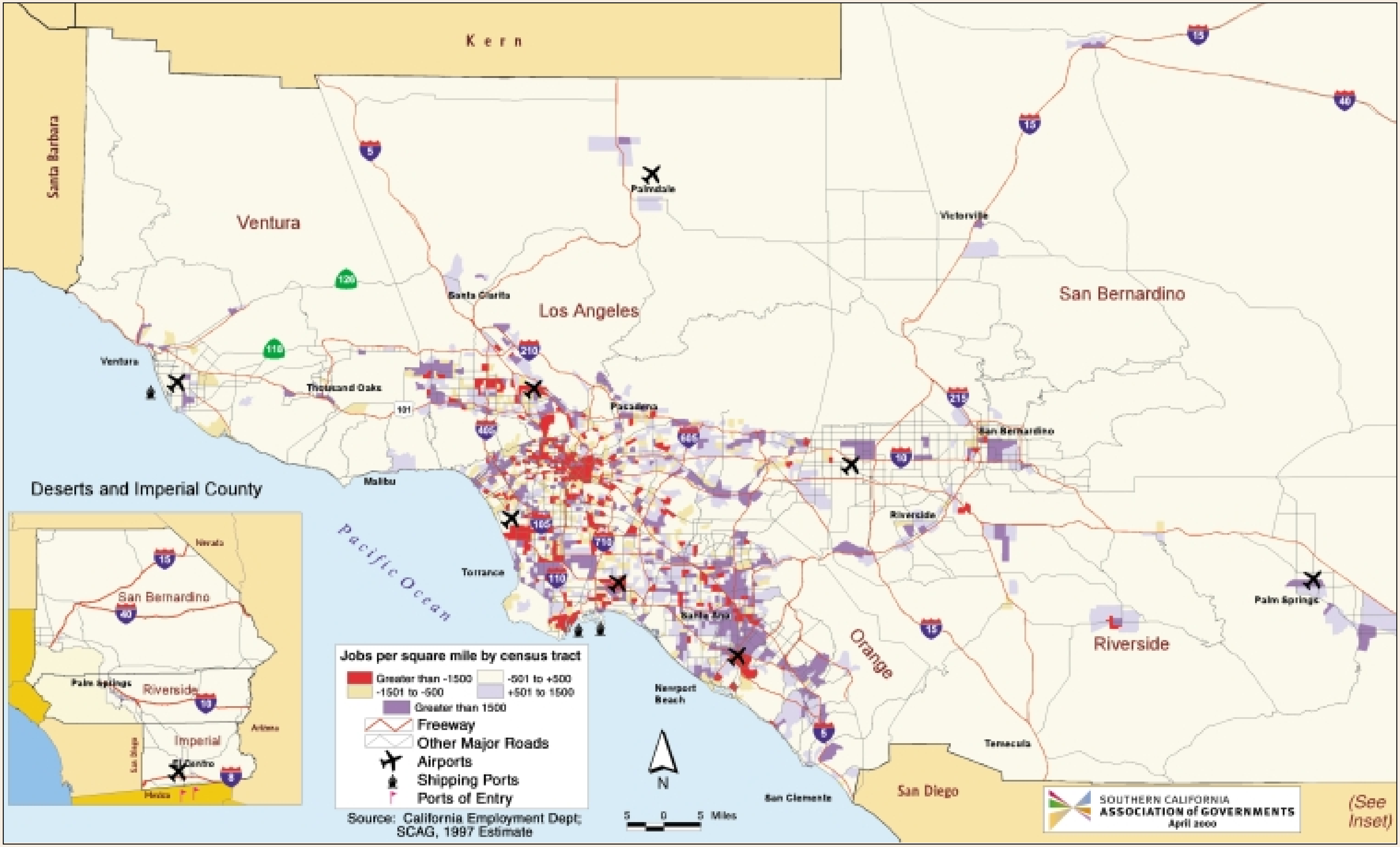
Estimated Annual Expenses by Size of Family and Location

	Single Parent	Two Parents, One Working	Two Working Parents
Imperial	$33,180	$28,824	$40,476
Los Angeles	36,780	30,624	44,700
Orange/Ventura	39,564	32,268	47,688
Riverside/ San Bernardino	31,812	27,576	38,736
Statewide	36,828	31,356	44,880

Source: *California Budget Project, 1999*

Note: The report by the California Budget Project divides California into nine regions consisting of counties with similar costs of living. The hourly wage used in the report was based on full time employment for 40 hours per week, 52 weeks per year. The estimates assume that families rent their homes and live in housing considered overcrowded for a three or four-person household. The basic family budgets used in the report assume that families use home-based child care rather than more expensive center-based care, and that health coverage is available at a cost equivalent to that paid for employment-based coverage.

CHANGE IN EMPLOYMENT DENSITY
Between 1980 and 1997



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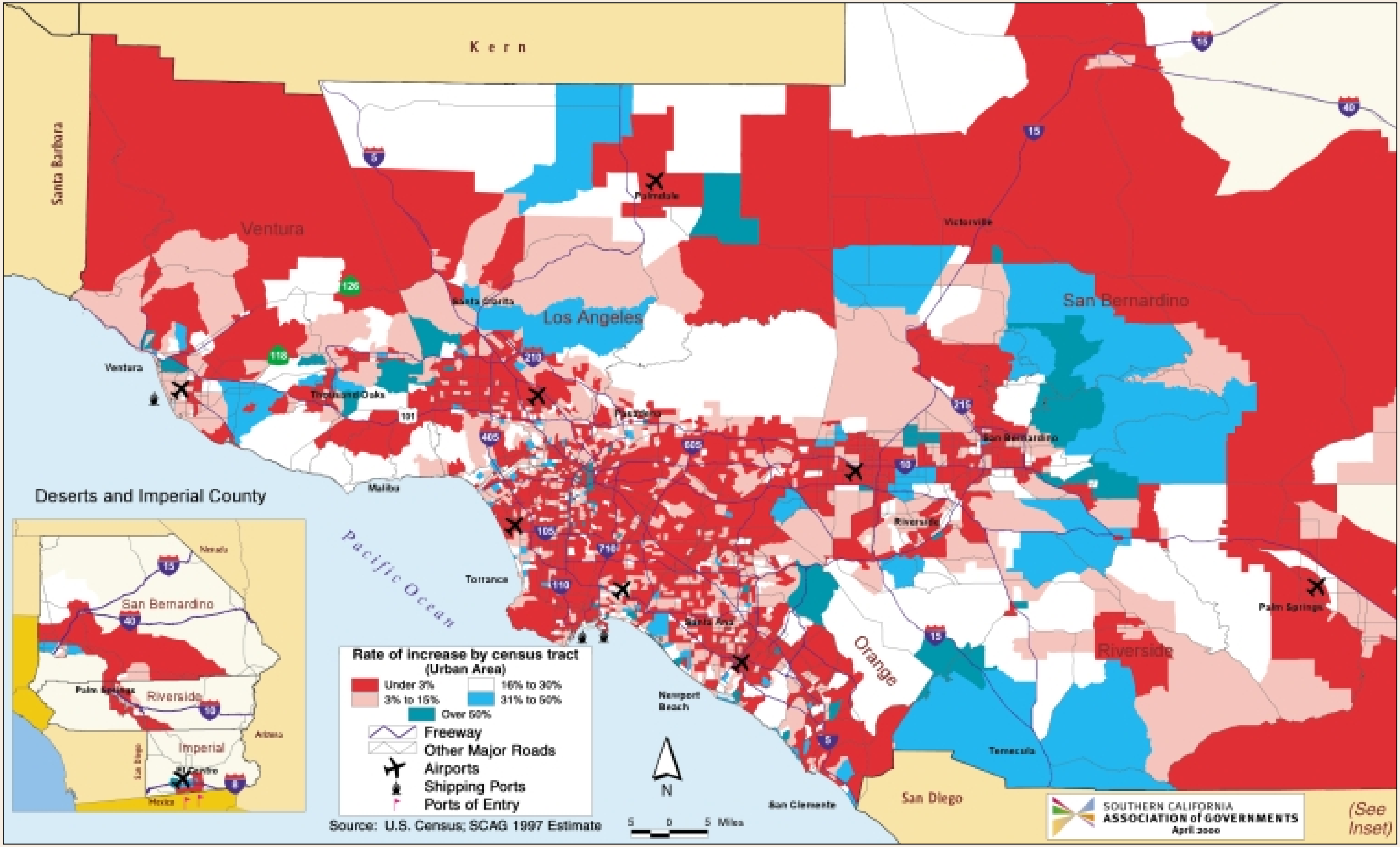
Map 2

CHANGE IN MEDIAN HOUSEHOLD INCOME BETWEEN 1980 AND 1997



984.income.tif.3.00

Map 3

THE WIDENING DIVIDE REVISED Inequality in the Labor Market

PAUL M. ONG

INTRODUCTION

One of Southern California's most notable achievements is the number of jobs created over the last quarter century. The prime-age workforce (those between the ages of 25 and 60) more than doubled from about three million in the early 1970s to over six million in the late 1990s. Accompanying the expansion is a dramatic transformation of the work world brought on by globalization, immigration, new technologies, and other forces. Although there is much to celebrate about the economy's remarkable ability to absorb millions, there are also troubling developments, which if not addressed, will create enormous societal tension and conflicts over the next quarter century.

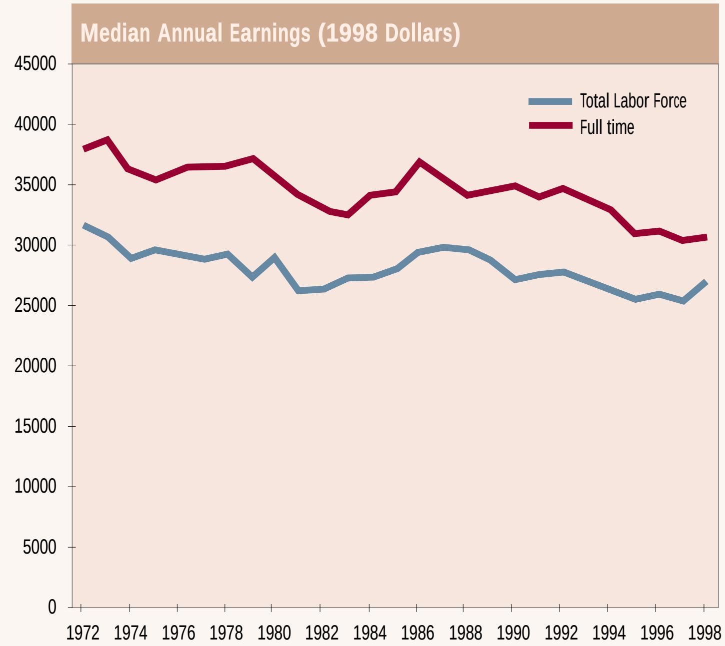
One of the most disturbing phenomena is the "widening divide," a term coined in 1989 to describe the economic inequality in this region. Inequality is, of course, not limited to this region. Recent national and California studies have shown that today's economic expansion, which has been one of the most remarkable in American history, has failed to close the gap between the "haves" and the "have nots." By some measures, such as wealth, the national problem has worsened. The labor market is at the center of the storm. For many, the harsh reality is increased job competition, downward pressure on wages, and limited opportunities for upward mobility.

To understand the magnitude and nature of inequality among workers in this region, this essay presents and interprets statistics on annual earnings compiled from the Current Population Survey. The data cover the period from 1973 to 1999 for four counties (Los Angeles, Orange, Riverside, and San Bernardino). Income data are for the prior year (for example, a respondent to the 1973 survey reported his or her1972 income) and are adjusted to 1998 dollars. The estimates are based on respondents 25 to 60 years old with a minimum annual earning of $1,000 in 1998 dollars. The sample size ranges from over 1,300 to 3,300 per year, averaging about 2,600. Although the estimates are subject to a margin of error, the trends across multiple years are reasonably reliable. Along with an overview of the trends in the distribution of earnings, the essay focuses on differences by gender and race. To compensate for the smaller sample for each sub-population, the reported averages are based on three-year periods that are roughly equivalent in terms of the business cycle—1972-74, 1984-86, and 1996-98.

TRENDS IN EARNINGS

The available data clearly show that job growth has been accompanied by a secular decline in median annual earnings, which is plotted in Figure 5. (The median is the dollar amount dividing the workforce with one half earning less and the other half earning more.) The line for the total work force fluctuates with the business cycle, climbing with an expansion and falling with a contraction. There is, however, an underlying long-term downward trend. At the beginning of the time period, the average for all workers was roughly around $30,000 but fell by over a tenth to about $26,000 two and a half decades later. This drop cannot be explained by changes in the relative number of part-time or part-year workers. In fact, their portion of the labor force declined during this period, from approximately 32 percent to 27 percent; consequently, the plot for the earnings of full-time and full-year workers shows an even greater secular decline.

Figure 5



Source: Compiled by Paul M. Ong from Current Population Surveys

The decline is concentrated among workers in the middle. Table 7 presents statistics for labor force divided by into equal quarters ranked by earnings for three representative periods. Surprisingly, median annual earnings for the bottom quarter initially increased modestly and then stabilized. This was accomplished in part because minimum-wage laws provided a floor below which wages could not legally fall. Furthermore, lower hourly wages were offset by the decline in part-time or part-year employment. In other words, many maintained their meager earnings level by working more hours. At the other extreme, the average for the top quarter increased by more than a tenth. This stratum includes a disproportionate large number of workers benefiting from the "new economy." The middle groups, on the other hand, were hard hit. During the last quarter of the 20th Century, the median for the upper middle dropped by about a tenth and the median for the lower middle dropped nearly a fifth. The findings reveal that workers in the middle ranges are now having a more difficult time maintaining a middle-class life style. Smaller paychecks are forcing some households to rely on the employment of two or more members to compensate.

Table 7

Estimated Median Annual Earnings by Quartile Groups (1998 Dollars)

Years	Bottom Quarter	Lower-Middle Quarter	Upper-Middle Quarter	Top Quarter
1972-74	$8,730	$24,400	$37,300	$56,300
1984-86	$9,020	$21,700	$36,100	$59,400
1996-98	$8,910	$20,000	$34,000	$62,700

Source: Compiled by author from Current Population Surveys

Estimates are based on respondents in Los Angeles, Orange, Riverside and San Bernardino Counties between 25 and 60 years old with at least $1,000 in earnings.

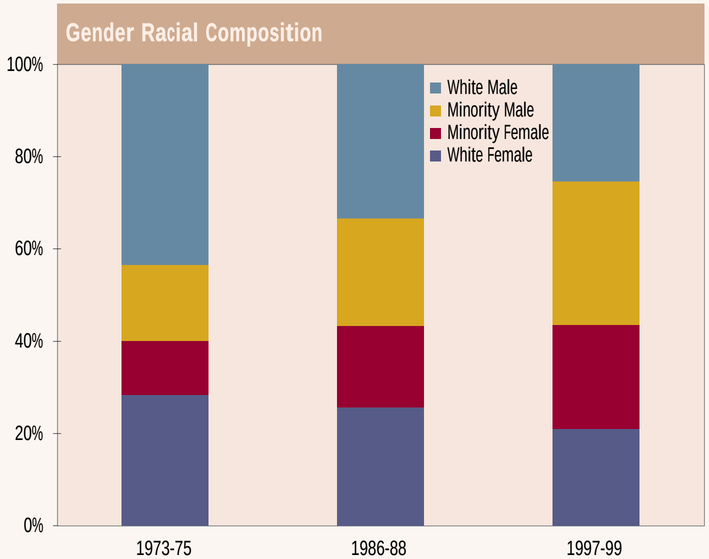
The diminished fortunes of those in the middle have been interpreted as a decline in the middle-class, but the picture is more complex. The above analysis holds the relative size of each stratum constant (one quarter each) and then tracks the change in earnings. An alternative approach is to hold the earning brackets constant and then track changes in the number of worker in each fixed earnings category. At the beginning of the study period, those in the upper-middle quarter earned from approximately $30,400 to $45,500 per year. This analysis reveals an interesting finding—the absolute number in this earnings range increased from an initial count of over 0.7 million to a little less than 1.2 million in the late 1990s. In absolute numbers, then, the case for a collapsing middle class is problematic. On the other hand, the share of workers in the $30.4k-$45.5k range fell from 25 percent to 19 percent because of differences in growth rates. This suggests, although not conclusively, that there are relatively fewer opportunities for upward mobility. Much of the economic redistribution has occurred through a channeling of workers downward into the lowest earning category. In the early 1970s, workers in the lowest quarter earned no more than about $16,400. The percent of the labor force falling into this range grew from 25 percent in the early 1970s to 32 percent in the late 1990s. In other words, the absolute and relative number of workers struggling to make ends meet has increased dramatically.

Regardless of whether the trends are characterized as a decline in the economic status of the middle or an expansion of the bottom, there is no question that there is a growing earnings disparity.

RACE AND GENDER

Differences in economic trends are also apparent by race and gender, with some development contributing to the widening divide and other attenuating it. Changes in earnings have occurred simultaneously with a demographic recomposition, which is depicted in Figure 6. One significant product of the women's movement is greater participation in paid work; consequently, the women's share of the workforce increased from 40 percent in the early 1970s to nearly 45 percent in the late 1990s. Moreover, the proportion of working women employed full time and year round increased from about 53 percent to 64 percent. Changes by race are even more dramatic. Minorities (African Americans, Asian Americans, and Latinos) comprised 28 percent of the labor force in the early 1970s and nearly 54 percent a quarter century later. Latino and Asian immigration generated this racial and ethnic transformation, and by the end of the 20th Century, these two populations were the second and third largest racial/ethnic group. During this period, non-Hispanic whites declined from an overwhelming majority (72 percent) to a plurality (46 percent) of the labor force; nonetheless, their absolute numbers increased from 2.1 million to 2.7 million.

Figure 6



Source: Compiled by Paul M. Ong from Current Population Surveys

Southern California has a gender-racial economic hierarchy, as documented in Table 8. From the 1970s to the 1990s, White males maintained the dominant position despite a slight decrease in their average earnings. By the end of the century, this group comprised a quarter of the labor force but a majority of the workers in the top stratum of the economic ladder, with the size of the majority growing further up the rungs. White females suffered from a gender gap but made significant progress through higher earnings. They earned only 45 cents to every dollar earned by White males in the early 1970s and improved to 67 cents to the dollar in the late 1990s. The gap was smaller among full-time, full-year workers, with the ratio going from 61 cents to 73 cents to the dollar.

Table 8

Estimated Median Annual Earnings by Race-Gender Groups (1998 Dollars)

Years	Anglo Males	Anglo Females	Minority Males	Minority Females
1972-74	$43,500	$19,400	$30,300	$16,200
1984-86	$44,800	$25,100	$26,800	$19,000
1996-98	$41,400	$27,800	$22,100	$16,700

Source: Compiled by author from Current Population Surveys

Estimates are based on respondents in Los Angeles, Orange, Riverside and San Bernardino Counties between 25 and 60 years old with at least $1,000 in earnings.

The fortunes of non-White males, however, went in the opposite direction, with median earnings falling by over a quarter. By the end of the 20th Century, the typical minority male made far less than the typical White female. This comparison, however, reveals only a part of the picture. The minority-male category is comprised of racially and ethnic diverse populations. Although the sample size in the Current Population Survey is too small to adequately quantify the precise differences, existing information indicates that Latino males were at the bottom, African-American males occupied a middle position, and Asian males were at the top, with earnings approaching that for White males. Minority women suffered from a double liability of being non-white and female. Their economic status remained stagnant at the bottom rung. Again, there are important variations among minority women, with the ethnic/racial differences mirroring those for minority men.

A part of the racial difference is due to changes in the returns to schooling, as documented in Table 9. Those with at least a bachelor's degree were able to maintain their earning power, while those with only a high-school education lost ground. The group most impacted is comprised of those with less than a high school education. Their average earnings plummeted. Because minorities tended to have lower levels of education, they were disproportionately hurt by the collapse in the fortunes of the less educated.

While differences in educational attainment helps to identify the immediate cause for some of the observed racial disparity, this is not the complete explanation. Differences in educational attainment have no appreciable role in explaining the gender gap. Moreover, minorities tend to earn less than Whites at any given level of schooling. Although difficult to quantify precisely, a good share of the disparity appears to be rooted in the historical legacy of racism and sexism.

Table 9

Estimated Median Annual Earnings by Educational Attainment (1998 Dollars)

Years	Less Than High School	High School	Some College	4 Plus Years of College
1972-74	$24,300	$27,800	$33,800	$41,800
1984-86	$15,400	$26,300	$30,700	$41,400
1996-98	$13,200	$21,300	$28,600	$41,300

Source: Compiled by author from Current Population Surveys

Estimates are based on respondents in Los Angeles, Orange, Riverside and San Bernardino Counties between 25 and 60 years old with at least $1,000 in earnings.

CONCLUDING REMARKS

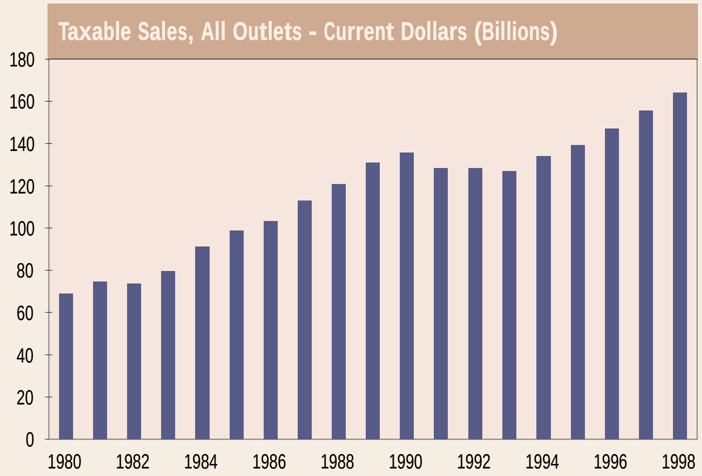
Eradicating the current high level of earnings inequality should be among our highest priority. To fight gender and racial discrimination, we must vigorously enforce fair employment laws. This, however, does not address the low level of education for too many workers. There must be programs to improve their skills, both at the job site and through public and community institutions. The long-run solution must include strengthening our educational system. The recently released rankings of public schools are deeply disturbing for they show that Southern California is failing to prepare the majority of our children for meaningful and rewarding careers. There is an unfolding tragedy, an inter-generation intensification of the widening divide. The region's wellbeing requires us to chart a different path for the 21st Century, one toward greater socioeconomic justice.

Paul M. Ong is Professor of Urban Planning and Social Welfare at UCLA and is currently the Director of UCLA's Lewis Center for Regional Policy Studies and Acting Director of the Institute of Industrial Relations.

TAXABLE SALES

Changes in taxable sales are a measure of both changes in local government revenues and changes in the economic health of the consumer sector.

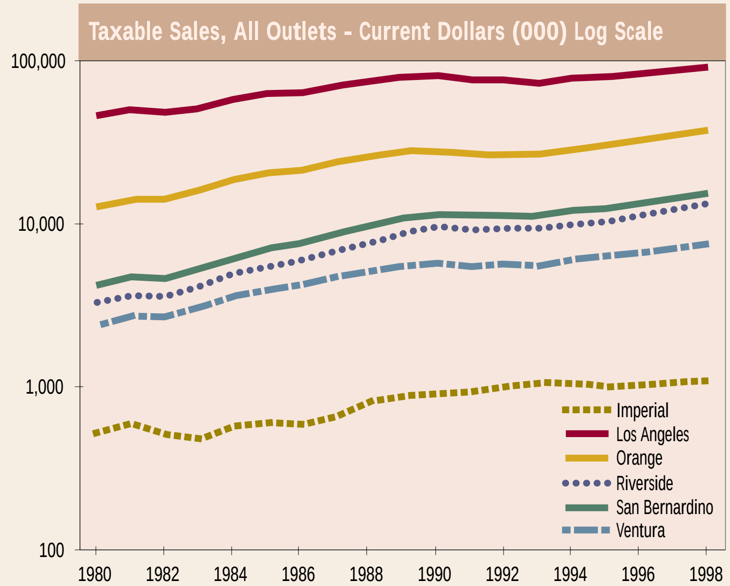
Figure 7



Source: California Board of Equalization

Except for 1982, retail spending in the region grew consistently from 1970 until the recession in the early 1990s. There was a decline in taxable sales for three consecutive years, 1991-1993, but that has turned around and there has been an increase in retail spending in the last five years. The rates of increase in 1998 ranged from 2.4 percent in

Figure 8



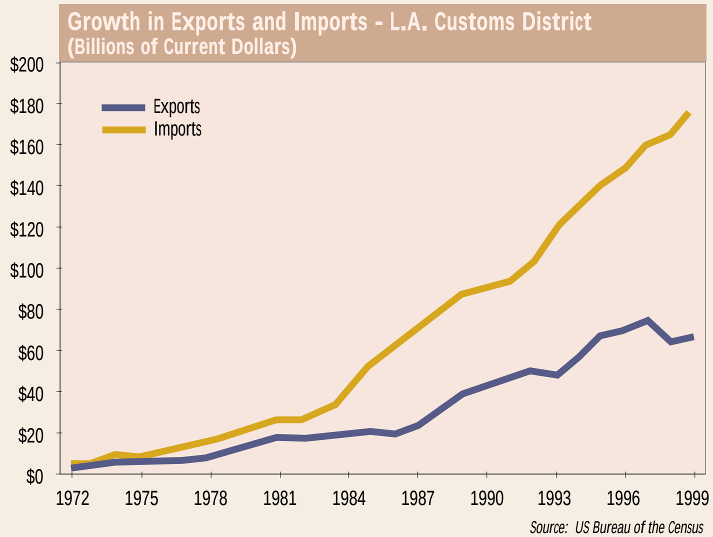
Source: California Board of Equalization

Imperial County to almost 10 percent in Riverside County. Taxable sales are one of the major revenue generators for local and state governments and a major source for transportation capital projects. Although 1999 data were not available for this report, taxable sales in California for the first half of 1999 appeared to be the strongest in ten years. It is estimated that California had an 8.9 percent increase in taxable sales in 1999.

TRADE

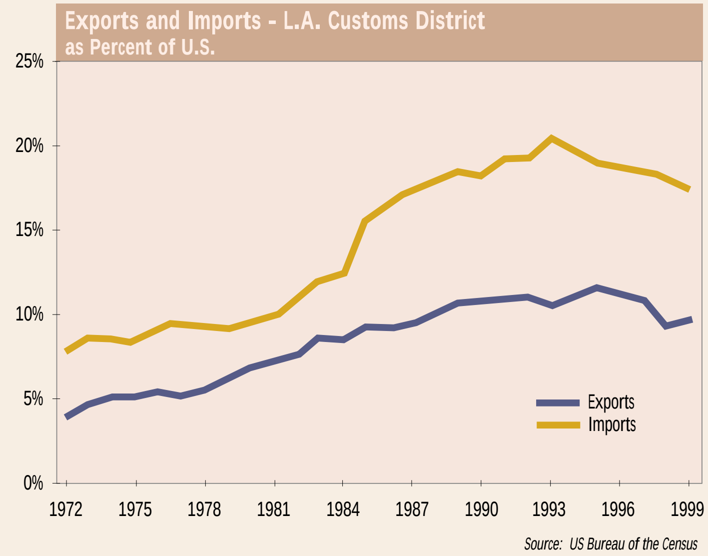
Both exports and imports generate jobs. Exports also generate income and are important indicators of global competitiveness.

Figure 9



The exports through the Los Angeles Customs District experienced a loss in 1998 from the previous year as a result of the collapse in the Asian markets. Exports are again on the rise, with a 3 percent increase in 1999. Imports unloaded in the region have been growing steadily for decades, with a 7 percent growth in 1999.

Figure 10



Mexico has emerged as the leading destination for California exports, displacing Japan. Canada was the second-largest destination for the state's exports in 1999, while Japan was third, followed by Taiwan and South Korea. The three major export industries that drove the region's economy before the economic recession of the early 1990s were aerospace, entertainment, and tourism. There are now fourteen export industries contributing to the economy, including financial services, biomedical, and technology.